SINGAPORE

TRADE SUMMARY

In 1999, the U.S. trade deficit with Singapore was just over $1.9 billion, an increase of $743 million from the U.S. trade deficit of nearly $2.7 billion in 1998. U.S. merchandise exports to Singapore totaled $16.2 billion, an increase of $573 million (3.7 percent) from the level of U.S. exports to Singapore in 1998. Singapore was the United States' 10th largest export market in 1999. U.S. imports from Singapore totaled $18.2 billion in 1999, a decrease of $170 million (0.9 percent) from the level of imports in 1998. The stock of U.S. foreign direct investment (FDI) in Singapore at the end of 1998 was $19.8 billion, an increase of 10.7 percent from the level a year earlier. U.S. FDI in Singapore is concentrated largely in manufacturing (notably electronics, industrial chemicals and petroleum) and the financial sectors.

IMPORT POLICIES

Tariffs

Singapore imposes tariffs on only one category of imported goods: alcoholic beverages. However, for social or environmental reasons it imposes high excise taxes on tobacco products and automobiles (which are entirely imported), and on gasoline. Approximately 99 percent of Singapore's imports are not dutiable. During the Uruguay Round of multilateral trade negotiations, Singapore agreed to bind 70 percent of its tariff lines. The Uruguay Round agreements entered into force in Singapore on January 1, 1995. As an APEC participant, Singapore has also committed to eliminating all tariffs by 2010 (consistent with the agreed time frame for "developed economies") and to bind these commitments at the World Trade Organization (WTO). Singapore is a signatory to the WTO Information Technology Agreement (ITA).

GOVERNMENT PROCUREMENT

Singapore initiated negotiations to join the WTO Government Procurement Agreement (GPA) in December 1995, and deposited its Instrument of Accession to the GPA on September 20, 1997. This Instrument of Accession entered into force for Singapore on October 20, 1997.

EXPORT SUBSIDIES

The Government of Singapore has maintained three export promotion schemes, available to both local and foreign firms: the International Trade Incentives Program, the Double Taxation Deduction, and the Production for Export Schemes. However, Singapore has announced that it will no longer accept applications for the Production for Export Schemes, and has notified the WTO that it will phase out the Double Taxation Deduction by 2003. The government does not employ multiple exchange rates, preferential financing schemes, import-cost-reduction measures or other trade-distorting policy tools.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Singapore has been on the Special 301 Watch List since 1995, primarily due to concerns regarding the consistency of Singapore's intellectual property rights (IPR) regime with provisions of the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS), and the inadequacy of police enforcement against IPR piracy. Outstanding issues include the lack of rental rights for sound recordings and software, inadequate protection against the sale of bootleg copies of musical performances, the limited scope of copyright protection for cinematography works and overly broad exemptions from copyright protection. However, in recent years the government has taken significant measures to improve IPR protection in the country.

Singapore is a member of the World Intellectual Property Organization (WIPO), and has ratified the WTO TRIPS Agreement. In December 1998, Singapore became a member of the Berne Convention; consequently, works created by Singapore citizens and residents now enjoy copyright protection in over 100 member countries, and vice versa. Singapore is also a signatory to three other international copyright agreements – the Paris Convention, the Patent Cooperation Treaty, and the Budapest Treaty – however, Singapore is not a party to the Universal Copyright Convention.

Singapore has enacted a series of laws and amendments to existing provisions with the aim of rendering its IPR regime fully TRIPS consistent. Specifically, Singapore has amended its Copyright Law (1998) and the Medicines Act (1998), and enacted the Trade Marks Bill (1998), the Geographical Indications Act, and the Layout Designs of Integrated Circuits Act (1999). The government also recently expanded the scope of the Copyright Act to cover digital and Internet piracy. In spite of these advances, progress concerning enforcement has ben inconsistent. At the core of Singapore's copyright enforcement problems is the continued reliance on a "self help" approach to enforcement which places an undue and expensive burden on rights holders to initiate raids and prosecute pirates. IPR associations have recommended that the government create an independent intellectual property enforcement office within the police force. IPR associations have also pointed out inadequacies in the August 1999 amendments extending copyright protection to the Internet and certain digital works. For example, Internet service providers are not liable for allowing websites to offer and sell pirated products. Also, current law allows up to 10 percent of the bytes of a digital work to be copied.

The Singapore government in 1997 also orchestrated adoption of a voluntary "code of conduct" by local optical disc (OD) manufacturers. The government's new licensing requirements for OD manufacturing and import controls on OD manufacturing equipment came into force in October 1998. Singapore has also increased the number and scope of police-initiated raids against retail-level piracy. According to Singapore's Trade Development Board, authorities in 1998 conducted a total of 682 raids which resulted in the seizure of over two million infringing articles. During the first nine months of 1999, authorities launched over 1,800 raids, seized more than 1.1 million infringing articles, and arrested about 330 suspects. In December 1998, the government launched a long-term campaign aimed at educating primary and secondary students and the general public concerning IPR piracy. The campaign emphasizes the message that buying pirated goods is illegal, undercuts profits for manufacturers, and will eventually lead to fewer choices for consumers.

In October 1999, a number of U.S. publishers, in cooperation with European and local counterparts, formed the Copyright Licensing and Administration Society of Singapore (CLASS). CLASS will utilize a provision of the Copyright Act to compel local universities and other educational institutions to pay royalty fees in exchange for duplication of copyrighted printed works for use in course materials.

Although piracy rates are the lowest in Asia, IPR owner associations continue to press for greater initiative by the government to enforce IPR laws and to address persisting deficiencies. The business community cites the continued retail availability of pirated film, music and software OD products in downtown shopping malls and in stalls scattered among suburban housing estates are chronic problems. According to recent industry estimates, total annual losses from copyright piracy were estimated at about $115 million in 1999. While the vast majority of pirated OD products are presumed to be smuggled into Singapore from neighboring countries, Singapore authorities have explained

that a number of factors impair the government's ability to enhance IPR enforcement at the border. Nevertheless, the United States continues to urge Singapore to require the mandatory use of source identification (SID) codes which would help to ensure that domestic producers engage only in legitimate replication of copyrighted works in digital format.

INVESTMENT BARRIERS

Singapore has an open investment regime. The Singapore government promotes foreign investment via improvements to infrastructure, financial and banking reforms, and tax and other incentives. Singapore's legal framework and public policies are foreign investor-friendly. Singapore does limit foreign investment in armament manufacturing, news media, telecommunications, broadcasting, property ownership and domestic banking. The government screens investment proposals only to determine their eligibility for various incentive schemes; but otherwise no authorization is needed. Singapore lifted all restrictions on foreign exchange transactions and capital movements in 1978 and places no restrictions on reinvestment or repatriation of earnings and capital. Singapore has institutionalized and internationalized arbitration through the creation of arbitration bodies and ratification of international conventions including the Singapore International Arbitration Center (SIAC), the United Nations Commission for International Trade Law (UNCITRAL) Model Law, and the Convention on the Settlement of Investment Disputes (ICSID).

SERVICES BARRIERS

Basic Telecommunications

Singapore's telecommunications industry has been steadily liberalized since 1989 and will be fully open effective April 21, 2000. Restrictions on the sale of telecommunication consumer goods and the provision of Value-Added Network Services (VANS) were the first to be lifted. Singapore Telecom (SingTel) has been privatized, and its regulatory functions assumed by the Telecom Authority of Singapore (TAS), which has been reorganized and renamed the Info-Communications Development Authority (IDA). The government ended SingTel's monopoly in April 1996 when TAS awarded a license to a second cellular telephone service provider (a foreign-Singapore joint venture) and three new paging service providers.

Singapore also made significant liberalization commitments as part of the WTO Basic Telecommunications Agreement, including adoption of the regulatory principles in the WTO Basic Telecommunications Agreement's Reference Paper. In this negotiation, Singapore made comprehensive market access commitments in basic services but initially excluded resale via leased lines connected to the public switched network, for domestic and international services. Foreign equity limits were liberalized to allow foreign stakes of up to 49 percent for direct, and 73.99 percent for indirect, investment. In line with its WTO commitments, TAS issued a license to a new joint venture basic telephone service provider ("Starhub") in April 1998, to begin operation in April 2000. At the same time, it issued a third cellular telephone service provider license also to Starhub.

In a surprise announcement on January 21, 2000, the government indicated that it has advanced full liberalization of all sectors of the telecommunications market to April 1, 2000, two years ahead of schedule. Effective April 21, 2000, any foreign or domestic company will be eligible to apply for a license to operate either facilities-based or services-based telecommunications services, effectively eliminating all numerical quotas on telecommunications service providers. All existing telecommunications companies will be permitted to offer international telephone call services, while callback companies can openly

advertise their services and buy international direct dial (IDD) capacity from any supplier. Submarine cable owners will have landing rights in Singapore and can offer additional bandwidth to users. Finally, the government announced that direct and indirect foreign equity limits for all public telecommunications service licenses are to be lifted with immediate effect.

Legal Services

Foreign law firms are presently allowed to set up offices in Singapore to advise clients only on the laws of their home country or international law. With the exception of law degrees from 15 British universities, no foreign university law degrees are recognized for the purpose of admission to practice law in Singapore; however, this issue is currently under review by a committee chaired by the Attorney General. Foreign law firms are also generally not permitted to hire Singapore lawyers, or form partnerships with Singaporean law firms, to practice Singapore law. Foreign firms regularly refer work to Singapore law firms and have entered into informal association with some of them. There are currently about 60 foreign law firms in Singapore.

In January 2000, the Singapore Parliament approved a bill submitted by the government to permit a limited number of foreign law firms to enter into joint ventures (including partnerships) or "formal alliances" with local law firms in an effort to upgrade the country's legal services sector. Under the new law, the Attorney General, in consultation with appropriate authorities, must approve such applications. These approved joint ventures and formal alliances will be permitted to market themselves as single service providers which are authorized to provide legal services in all areas in which the constituent firms are qualified to provide. Foreign lawyers in joint ventures may practice Singapore law, provided that they are registered authorized to do so by the Attorney General, but may not appear before judicial and regulatory bodies. Foreign lawyers in formal alliances may prepare all the documents in cases involving the laws of more than one country, but cannot render legal opinions relating to Singapore law. Implementing rules for the new law are to be published in April 2000.

Engineering and Architectural Services

Singapore amended its laws in April 1995 to allow engineering firms to be 100 percent foreign-owned. However, the chairman and two-thirds of the firm's board of directors must comprise engineers, architects, or land surveyors registered with local professional bodies. Professional engineering work in Singapore must be under the control and management of a director of the corporation who: is a registered owner of at least one share of the corporation; is a registered professional engineer ordinarily resident in Singapore; and has a valid practicing certificate. In the case of a partnership, only registered engineers may have a beneficial interest in the capital assets and profits of the firm, and the business of the partnership must be under the control and management of a registered professional engineer who ordinarily resides in Singapore. Similar requirements apply to architectural firms.

Accounting and Tax Services

Public accountants and at least one partner of an accounting firm must reside in Singapore. Only public accountants who are members of the Institute of Certified Public Accountants of Singapore and registered with the Public Accountants Board of Singapore may practice public accountancy in the country. In January 1999, Singapore removed the restriction prohibiting a person who is not a public accountant from using the designation "tax consultant."

Insurance

Singapore had determined that the local insurance market is saturated. As a result, only one new license for foreign or domestic direct insurers had been issued during the period 1986 to 1995. Since 1995, however, new licenses have been issued to four foreign-invested companies that fulfilled a perceived market need in the area of specialized financial guarantee insurance business.

The Monetary Authority of Singapore (MAS), the country's central bank, continues to limit foreign equity stake in domestic insurance companies to less than 50 percent. However, the existing branch operations of foreign firms, and outstanding foreign stakes in domestic firms above the 49 percent limit, are protected under Singapore's WTO financial services offer. Reinsurance licenses, allowing companies to participate in the regional reinsurance market from Singapore, are freely available to internationally reputable and financially sound reinsurers. Captive insurance licenses are also available to financially sound and reputable corporations principally to underwrite their own risks.

Banking and Securities

Prior to 1999, the MAS had not issued new licenses for local retail banking for over two decades to either foreign or domestic institutions because it considered Singapore's banking sector to be saturated. In 1999, foreign penetration of the banking system in Singapore was comparatively high, with foreign banks holding up to 22 of the 34 full (local retail) banking licenses. These licensees accounted for almost half of all non-bank deposits from residents, more than half of all non-bank loans to residents, 70 percent of total trade financing business in Singapore, and 60 percent of banking profits.

Until recently, Singapore restricted access by full-licensed foreign banks to the retail banking sector. Unlike local banks, foreign banks were not allowed to open new branches, freely relocate existing branches or operate off-premise Automated Teller Machines (ATMs). However, foreign banks were permitted to install electronic terminals at their corporate clients' premises, and to provide home banking services through telephone and personal computers. In addition, the foreign equity share in full-licensed domestic banks was restricted to an aggregate 40 percent. At the same time, the MAS continued to encourage the growth of the offshore banking industry and the Asian dollar market in Singapore, in which U.S. and other foreign banks have a substantial presence. In 1999, MAS raised the lending limit for offshore banks to Singapore-based firms from S$200 million to S$300 million.

As part of its recent financial sector reforms, however, the MAS has begun to lift many of these restrictions on foreign banks. In May 1999, it removed the 40 percent ceiling on foreign ownership of local banks. In October 1999, it granted "qualifying full bank" (QFB) licenses to four foreign banks that would allow these banks to operate up to 10 locations (branches or off-premise ATM's), freely re-locate their existing branches and share ATM's among themselves. It indicated that more QFB licenses would be issued in the next few years. In addition, the MAS issued another eight new restricted bank licenses and eight new "qualifying offshore bank" (QOB) licenses to foreign banks located in Singapore. QOB banks will have their Singapore dollar lending limit raised further from S$300 million to S$1 billion, and will be allowed to accept Singapore Dollar funds from non-bank customers through swap transactions.

In the securities area, foreign brokerages generally have the same right to establish and offer financial products as do domestic firms with respect to government securities, unit trusts

and financial futures. There were some restrictions, however, on the extent to which foreign stockbroking firms can trade in the equity securities markets for Singapore resident clients and on foreign ownership of Stock Exchange of Singapore (SES) member companies. The seven "international members" (wholly foreign-owned stockbroking companies) of the SES, while authorized to trade for non-resident clients, were permitted to trade Singapore dollar denominated securities for resident clients only if the transaction value per contract is S$5 million or above. They also were not allowed to vote in an election of members to the SES board of directors. "Approved Foreign Brokers" (AFB) – a new category established in 1995 – were permitted to trade only non-Singapore dollar denominated stocks on the exchange. All other foreign stockbroking firms licensed in Singapore (SES "non-member companies") must trade local securities through SES members.

In late 1999, the MAS announced a series of measures that significantly opens up the local securities market to foreign brokers. The government first passed the "Exchange Act" which "demutualized" and merged the previously separate securities and futures exchanges to create one integrated exchange starting December 1, 1999. The MAS subsequently announced that the new Singapore Exchange (SGX) will admit an unspecified number of new members starting July 2000. The plan is eventually to make the SGX a publicly-listed company and to allow full access to the SGX by January 2002. Meanwhile, the MAS announced that, starting January 2000, SES international members will be allowed to accept trades valued at below S$5 million, but above S$500,000. This remaining restriction on retail trading will be lifted a year later. Similarly, new members of the SGX will be immediately permitted to accept trades above S$500,000 and trades of all amounts by January 2002.

ELECTRONIC COMMERCE

There are no significant barriers hindering the development and use of electronic commerce (e-commerce) in Singapore. To the contrary, the government is actively promoting electronic commerce, and in 1998 launched a national master plan to transform Singapore into an electronic commerce hub in Asia. The Electronic Transaction Act, which came into force in July 1998, provides the legal foundation for electronic commerce transactions. In terms of infrastructure, "Singapore One" – which will connect homes, schools, offices and libraries in a nationwide broad bandwidth and high speed Internet network – was put in place at the end of 1999. The government expects the Singapore One network to facilitate the widespread use of electronic commerce in the country. Singapore is also actively working to harmonize cross-border electronic commerce laws, policies and infrastructure with other countries bilaterally and through international fora like APEC. U.S. multinational corporations have begun to establish electronic commerce centers in Singapore.

OTHER BARRIERS

Singapore is well-regarded for its strong stand and track record against corruption in government and business. In international surveys, Singapore is regularly identified as among those countries with the lowest levels of corruption. When cases of corruption are uncovered, the authorities deal with them strictly, swiftly and publicly. The Prevention of Corruption Act and the Corruption (Confiscation of Benefits) Act provide the legal basis for government action by the Corrupt Practices Investigation Bureau (CPIB), a division that operates directly under the Prime Minister's office. These laws cover acts of corruption by citizens of Singapore at home and abroad.